Before the
Federal Communications Commission
Washington, D.C. 20554

FCC 96-93

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	

Reply Comments of

Benton Foundation

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Summary

The seven principles of section 254 (b) (7) of the Telecommunications Act are not inclusive enough to guarantee telecommunications services to all Americans. The Benton Foundation ("Benton") offers five additional principles – externality costs, usage, personal choice, equipment, and consumer education – to preserve and advance universal service.

Benton strongly disagrees with commenters who would suggest that the battle for universal service should be declared victorious based solely on national, residential telephone subscribership. The Telecommunications Act jeopardizes the gains the Nation has already made in advancing universal service by fundamentally changing our national telecommunications policy framework. The Act also creates a new class of universal service recipients – public institutions – that universal service policies have not had to address before.

Benton proposes that low-income consumers receive voluntary, free toll-blocking and toll-limiting services. Benton also proposes a three tier system to guarantee essential services are continuous in low-income households.

Finally, Benton proposes that nonprofit organizations play an active role in the promotion of services supported by universal service funds and their costs. Carriers eligible for universal service support should make available to a network of national nonprofits in clear language complete information on the services that are supported by universal service funds and the rates for those services.

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I. Introduction

The Benton Foundation believes that communications in the public interest, including the effort to connect all Americans to basic communications systems. is essential to a strong democracy. Benton's mission is to realize the social benefits made possible by the public interest use of communications. Benton bridges the worlds of philanthropy, community practice, and public policy. It develops and provides effective information and communication tools and strategies to equip and engage individuals and organizations in the emerging digital communications environment.

The Benton Foundation's Communications Policy Project is a nonpartisan initiative to strengthen public interest efforts in shaping the emerging National Information Infrastructure (NII). It is Benton's conviction that the vigorous participation of the nonprofit sector in policy debates, regulatory processes and demonstration projects will help realize the public interest potential of the NII. Current emphases of Benton's research include extending universal service in the digital age;

the future of public service in the new media environment; the implications of new networking tools for civic participation and public dialogue; the roles of states as laboratories for policy development; and the ways in which noncommercial applications and services are being developed through new telecommunications and information tools.

Over the past two years, the Benton Foundation has commissioned a number of research papers on the subject of universal service and now hosts the World Wide Web's most comprehensive library of universal service and access documents.[1]

II. The Telecommunications Act of 1996 and the Challenge Connecting All Americans to the Information Society

The Telecommunications Act of 1996 offers a new national policy framework designed to "accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition."[2] It broadly outlines mechanisms for connecting all Americans to telecommunications networks, increasing opportunities for enriched education, and increasing access to health care. The main supporters of the Act also promise an internationally competitive economy supporting new jobs with good pay. But without proper implementation that makes sure an advanced infrastructure serves everyone, these promises will not be realized. Instead, the new technologies will widen the gap between those who enjoy access to information and communications services

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[1] See URL http://www.benton.org/Uniserv/

[2] House of Representatives Conference Report to accompany S. 652. Report #104-458. 104 th Congress, 2nd Session. 1996. p.1

and those left behind. There is much at stake for those left behind without basic, no less advanced, telecommunications services: they will feel increasing isolation from the evolving information society and suffer negative economic consequences.

III. The Seven Principles Outlined in the Act Do Not Ensure Telecommunications Services for All Americans

The Benton Foundation agrees that the Act defines seven important principles upon which to base a universal service policy. As Benton stated in its initial comments however, these principles are not inclusive enough to ensure an equitable outcome for the deployment of the National Information Infrastructure. Benton, therefore, offers additional principles relevant to the choice of services that should receive universal service support.[3] The new universal service policy should:

- recognize the cost of not getting all citizens connected.
- allows users to control usage costs as available evidence suggests that usage costs are as important, if not more important, than access costs for achieving universal service goals.[4]
- allow users to identify the set of services that enables the user to be served by a communication service with adequate facilities.
- provide citizens with affordable, quality *customer premises equipment* such as phones, modems and computers.

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[3] 1996 Telecommunications Act § 254(b) (7) and NPRM at 8.

[4] Schement, Jorge Reina and Milton Mueller. *Universal Service from the Bottom Up: A Profile Of Telecommunications Access In Camden, New Jersey.* Research performed for Bell Atlantic by Rutgers University Project On Information Policy. Available on the World Wide Web at URL http://ba.com/reports/rutgers/ba-report.html

- provide ongoing consumer education so that individuals and organizations are aware of the options available to them, are able to make informed decisions about these options, understand the pricing of the services, and know how to get assistance if they have difficulties with service reliability, bills, privacy, marketing tactics, and/or other problems.

IV. The Battle for Basic Universal Service Has Not Yet Been Won

Benton vehemently disagrees with the commenters who suggest that "(w)e should declare victory on universal subscribership."[5] Many Americans remain unconnected to the telephone network, especially lower-income and minority households. In addition, the Congress has recognized a new class of institutions that have not been included before to connect all Americans.

A. Many Americans are not Connected to Telephone Networks

Although the national residential telephone penetration rate may be 94%[6], a number of populations remain underserved:

- In rural areas outside metropolitan statistical areas, telephone subscribership falls to about 90%.[7]

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[5] See Comments of the Idaho Public Utilities Commission. FCC Common Carrier Docket #96-45. 1996. Page 4, Paragraph 3.

[6] Universal Service Task Force. *Preparation for Addressing Universal Service Issues: A Review of Current Interstate Support Mechanisms*. Common Carrier Bureau, FCC. Washington, DC. 1996.

[7] Schement, Jorge Reina. Beyond Universal Service: Characteristics of Americans without Telephones, 1980 - 1993. Benton Foundation Working Paper #1. Washington, DC. 1994.

- Telephone subscribership for seniors receiving Supplemental Security income is only about 80%.[8]
- 31% of all families receiving food stamps have no phone service.[9]
- 34.7% of households receiving public assistance have no phone service.[10]
- For households completely dependent on public assistance, only 43.5% have phone service.[11]
- Although telecommunications may appear a neutral technology, race appears to be a factor in who receives service. Even when they share the same income level, blacks and Hispanics have lower telephone penetration rates. "At all levels of income below $40,000, whites have higher levels of telephone penetration."[12] For every year between 1983 and 1991, blacks and Hispanics have trailed white telephone subscribership by at least 10%.[13]
- The income threshold for telephone service seems to be about $20,000. Households with incomes above $20,000 have telephone penetration at the national average or above. But once a family fails to earn at least $20,000, the rate of telephone penetration drops off.

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[8] *Ibid.*

[9] *Ibid.*

[10] *Ibid.*

[11] *Ibid.*

[12] *Ibid.*

[13] See Appendix I to these reply comments: Telephone Penetration by Ethnicity, 1983 - 1991.

About 50 million households, or 55% of the total number of households in the U.S., earn below $20,000.[14]

The recommendations of the Joint Board and the rules ultimately set forth by the Commission should recognize the commitment of the Congress to connect all citizens. By embedding universal service language within Title I, Part II, Development of Competitive Markets, of the Telecommunications Act, Congress has clearly expressed its concern that competition alone may not insure the provision of affordable, quality telecommunications services to all Americans. The recommendations of the Joint Board and the subsequent rulings of the Commission will flesh out the Congress' guarantee "to make available...to *all* the people of the United States...a rapid, efficient, Nation-wide, and world-wide wire and radio communication service with adequate facilities at reasonable charges."[15] Senator Larry Pressler, a prime sponsor of the Telecommunications Act, has advocated "subordinating the drive for deregulation and, where necessary, even competition, to the extent that it jeopardizes the realization of universal telecommunications service."[16]

At the very least, by de-regulating the telecommunications industry and undermining the traditional funding mechanisms, the Act puts in jeopardy the gains already made in connecting Americans to basic telecommunications services. In the extreme, an over-reliance on pro-competitive, market-driven policies increases the risks for the least powerful consumers.

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[14] Schement, *op cit.* Beyond Universal Service: Characteristics of Americans without Telephones, 1980 - 1993. Benton Foundation Working Paper #1. Washington, DC. 1994.

[15] 47 U. S. C. 151 as amended by Telecommunications Act of 1996, emphasis added.

[16] Pressler, Larry and Kevin V. Schieffer. A Proposal for Universal Telecommunications Service. 40 Federal Communication Law Journal 351, 3544 n. 7 (1988)

B. Public Schools, Libraries and Health Care Providers are Public Institutions that Universal Service Policies Have Not Specifically Had to Consider Before

The Telecommunications Act of 1996 creates a new class of recipients of universal service support: public institutions.[17] These provisions define new territory where the battle to provide universal service can not be declared victorious.

- 50% of public K-12 schools are wired for Internet services.[18]
- 12% of public K-12 classrooms have telephone lines.[19]
- 9% of public K-12 classrooms have Internet access.[20]
- 13% of libraries serving rural areas have Internet access.[21]
- Only 20.9% of public libraries nation-wide have Internet access.[22]

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[17] Telecommunications Act of 1996 §254 (b) (6) and §254 (h)

[18] National Center for Education Statistics. Advanced Telecommunications in U.S. Public Elementary and Secondary Schools, 1995. Washington, DC. 1996

[19] National Education Association. National Education Association Communications Survey: Report of Findings. Washington, DC. 1993.

[20] National Center for Education Statistics. Advanced Telecommunications in U.S. Public Elementary and Secondary Schools, 1995. Washington, DC. 1996

[21] Charles McClure *et al.* Public Libraries and the Internet: Study Results, Policy Issues, and Recommendations. National Commission on Libraries and Information Science. 1994.

[22] Ibid.

- In 1994, 87.3% of public libraries reported that they did not have public access Internet terminals for patrons.[23]

Benton supports the comments filed by the American Library Association and agrees that libraries are part of the solution to achieving universal service. It is hard to put a dollar value on the invaluable opportunity public institutions can provide in advancing universal service and promoting the telecommunications and information service industries:

- They will not merely be universal recipients; they will be public access points for telecommunications and information services. They will provide access for many families that will not be able to subscribe to these services in the home.
- They offer organization and structure to the expansive information resources available electronically.
- They become testbeds and showcases for new services as well as public training centers to improve technology literacy. In so doing, they create increased demand for these services.

There is widespread – if not complete – agreement among public interest advocates, educators and librarians, health care organizations, and regulators on the need for support of basic, advanced and Internet/Interactive services for public institutions.[24] President Clinton supports a plan to wire the Nation's classrooms to the Internet by the year 2000. In fact, 80% of Americans feel that teaching students computer skills is "absolutely essential."[25]

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[23] Technology in Public Libraries 1995 Survey Statistic Report 1995 Public Library Data Service. 1995.

[24] see Appendix II to these reply comments: Four Tables summarizing universal support for public institutions in this proceeding.

[25] Public Agenda Foundation. Assignment Incomplete: The Unfinished Business of Education Reform. New York. 1995

This consensus reflects the priorities that the Nation must adopt to remain economically competitive in the years to come. A recent update of *America's Children and the Information Superhighway* by The Children's Partnership relates some important facts:

- Experts agree that more than half of new jobs require some form of technological literacy.[26]
- An estimate 60% of new jobs in the year 2000 will require skills possessed by only 22% of new workers.[27]
- In the early 1990s, workers with computer skills earned 10%-15% more than workers without such skills.[28] This trend will likely intensify in the 21st Century.

The Act and the consensus of the comments filed in this proceeding allow the Commission an unprecedented opportunity to set the thresholds of acceptable access through public institutions. Benton supports the comments filed by Richard W. Riley, Secretary of Education, and calls for the Commission to insure that telecommunications services are affordable to every public school and library in the Nation by providing discounted and, if necessary, free access for public institutions. The battle to enrich our public institutions with support for basic and advanced telecommunications services has just begun.

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[26] Interview with Neal Rosenthal, Chief, Division of Occupational Outlook, Department of Labor.

[27] Packer. Preparing Workforce 2000. Working Capital, November/December 1990.

[28] Mandel. The Digital Juggernaut. Business Week/The Information Revolution. 1994

V. Low-Income Consumers Should Receive Free Toll-Blocking, Toll-Limitation, and Should be Disconnected Only for Services for Which They Cannot Pay

Addressing the concerns of subscribership for low-income consumers, Benton agrees with comments filed by the Edgemont Neighborhood Coalition of Dayton, Ohio.

> "To determine when basic telephone service is affordable the Commission should proceed from the assumptions that all income groups have roughly the same interest in having basic phone service and that, from any particular family's perspective, affordability is a function of the percentage of that household's income required to pay for a particular service."

The comments filed by the Consumer Project on Technology point out that even for the poorest consumers, 57% of the average monthly telephone bill goes to toll and other discretionary services. Benton proposes that the Commission enable these consumers to control their usage costs with free, voluntary toll-blocking and toll-limiting, and that the Commission adopt a three tier system to ensure that these consumers retain essential services even when telephone bills become too burdensome.

A. Toll-Blocking and Toll Limitation are Essential to Continuous Connection for Low-Income Subscribers

A recent study by Schement and Mueller points out that usage-related costs are an important factor in advancing universal service goals. One of the study's key findings is that "most marginal users are driven off the network by usage-related costs rather than access-related costs."[29] For too many of those who fall off networks, subscribership is an on-again, off-again relationship. Following

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[29] Schement and Mueller. *Op.cit.*

the Commission's request for comment on toll limitation services,[30] Benton believes these services to be essential to any universal service policy. To maintain a continuous connection to the network, users need to be able to control their costs. The majority of households without telephone service once had it, but were forced off the network due to inability to pay toll charges.[31] The new universal service policy should *allow users – not providers – to chose* to block, limit and/or prepay toll charges that could otherwise cause disconnection.[32]

Benton believes the ability to control usage costs through these services to be consistent with the Act's general considerations of universal service because these services:

- become essential to the education, health, and safety of these consumers by helping to guarantee continuous connections to public schools, health care providers, and emergency services.
- are already being deployed in public telecommunications networks by telecommunications carriers.
- are consistent with the public interest, convenience, and necessity to connect all Americans to telecommunications networks.

This proposal is consistent with the filings in this proceeding of: Office of Communication of the United Church of Christ *et al.*, New Jersey Department of Treasury Office of the Ratepayer Advocate, New York State Department of Public Service, Bell Atlantic, Time Warner, Public

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[30] NPRM at 54.

[31] Federal Communications Bureau, Preparation for Addressing Universal Service Issues: A Review of Interstate Support Mechanisms. February 1996.

[32] A prepay option could be considered for users who have a history of bad credit, but should be considered an undue burden to impose on all universal service support recipients.

Utilities Commission of Ohio, Pacific Telesis Group, Office of the People's Counsel for the District of Columbia, Public Service Commission of Wisconsin, and the Public Utility Law Project.

B. Disconnection Should Be Gradual, But Should Never Jeopardize Essential Services

Any new universal service policy should also discourage or prohibit local telecommunications providers from disconnecting subscribers for failure to pay for long distance and other toll charges. The Benton Foundation proposes a system of gradual disconnection that never jeopardizes essential emergency services for low-income subscribers.

1. The Three Tiers of Service: Full Basic, Limited Basic, and Essential

a. Full Basic Service: The Universal Service Standard

Full basic service would encompass the universal service standard as defined by the Commission and enhanced by the state where the customer receives service. For example, the new universal service policy may guarantee that a customer have a voice grade, single-party line, [33] with

[33] NPRM at 16.

touchtone dialing,[34] access to emergency services (911),[35] operator services,[36] access to repair calls (611),[37] and access to long-distance and other toll charges.[38]

In applying monthly payments, monies would be credited first to local and essential services and then to long-distance and toll charges. In the event a customer could not pay the complete bill for telecommunications services, the customer would first lose access to long-distance and other toll-charge services, hence falling from full basic service, but not off the entire network. The customer would be offered a payment plan by the telecommunications provider to return to full basic.

b. Limited Basic: Basic Services Without Long-Distance and Toll Charges

Limited basic service would encompass the universal standard service defined by the FCC and enhanced by the state, but long-distance access and other toll charges would be restricted by the provider until the customer had paid for those services. The customer would retain all other services mandated by the universal service definition for that area including a voice grade, single-party line, with touchtone dialing, access to emergency services (911), operator service, and access to repair calls (611).

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[34] *Ibid.*

[35] Ibid.

[36] Ibid.

[37] NPRM at 51.

[38] NPRM at 23.

If over time the customer could not pay for local services as well, they would lose limited basic, local service, but would not be disconnected from the entire network. The customer would be offered a payment plan by the telecommunications provider to return to limited and/or full basic.

c. Essential Service: A Guarantee that All Subscribers Retain Access to Essential Emergency Services

Essential service would provide a "warm line" into the home that allows for emergency 911, 611 repair service calls, operator services, and incoming calls. While working with the provider to pay for unresolved bills, the low-income consumer would not lose the essential connections to emergency fire, safety and health care services. This service would never be disconnected as long as the subscriber remained in the residence.

Benton believes this new three tier system for service to be consistent with the Act's general considerations of universal service:

- It ensures access to essential educational, health, and safety services to these consumers by helping to guarantee continuous connections to public schools, health care providers, and emergency services.
- It is consistent with the public interest, convenience, and necessity to connect all Americans to telecommunications networks.

VI. Promotion of Universal Services for Individuals and Public Institutions Should be Coordinated by Nonprofit Organizations Serving Those Constituencies

Users will need expertise to navigate the networks and to fully understand the choices available in the increasingly competitive telecommunications industry. As a form of consumer protection, the public will need ongoing consumer education so that individuals and organizations are aware of the options available to them, are able to make informed decisions about these options, understand the pricing of the services, and know how to get assistance if they have difficulties with service reliability, bills, privacy, and/or other problems. Like equipment, education is not a once-in-a-lifetime investment and will have to be available on an ongoing basis so that consumers can keep abreast of an ever changing communications environment.

America's nonprofits are our leading experts in education, health care, social service, the arts and humanities, and community participation, because they stand at the front lines of delivering these services every day. Indeed, nonprofits have been created specifically to serve the public and provide public benefits. As the vast array of comments filed by nonprofit, public interest sector shows, many of these organizations are willing to engage in communications policy and to work with business and government at all levels to help ensure all Americans enjoy access to the emerging National Information Infrastructure.

A. Eligible Carriers Should Make Availability of Services and Discounts Available to Nonprofit Organizations in Clear Language

In defining carriers that are eligible for universal support, the Act stipulates that these carriers advertise the supported services and the charges for these services[39]. Benton proposes that as part of this promotion scheme, carriers also make this information available to national nonprofit organizations which serve the constituencies in most need of these services. This information should be available in clear language that clearly communicates what persons and what institutions are eligible for support. The information should include what services are available and what the lowest cost available is.

VII. Conclusion

The benefits, both economically and socially, of connecting all Americans to the emerging NII are clear. From improved education, to enhanced access to health care services, to better paying jobs, the NII offers much promise.

As the telecommunication policy framework is recast and competition and de-regulation become the norm, it will be of critical importance to ensure that universal service policies are inclusive enough to recognize that no market mechanism is perfect and that there are serious social and economic costs associated with allowing some individuals – or groups of individuals – to become isolated from the information society.

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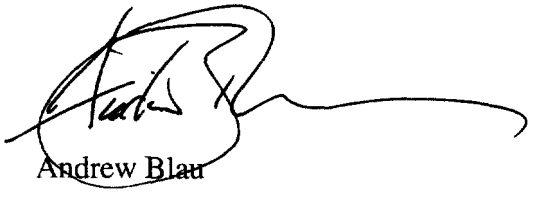
[39] Telecommunications Act of 1996 § 214 (e) (1) (B)

For these reasons, Benton stresses the following. Additional principles – externality costs, usage, personal choice, equipment, and consumer education – must be considered when creating a new policy to preserve and advance universal service goals. The battle for universal service has not been won: many Americans are still not connected to the telephone network and the Telecommunications Act recognizes a new class public institutions that have not been considered in this context before. Voluntary, free toll-blocking and toll-limiting services and a three tier classification of basic telephone service will prevent the on-again off-again subscribership of low-income consumers. The promotion of availability of universal service funded services should be coordinated by nonprofit organizations which serve the constituencies who most need these safeguards. Enacting such policies will help ensure that the laudable goals of the Telecommunications Act will be realized for all Americans in the Information Age.

Respectfully submitted,



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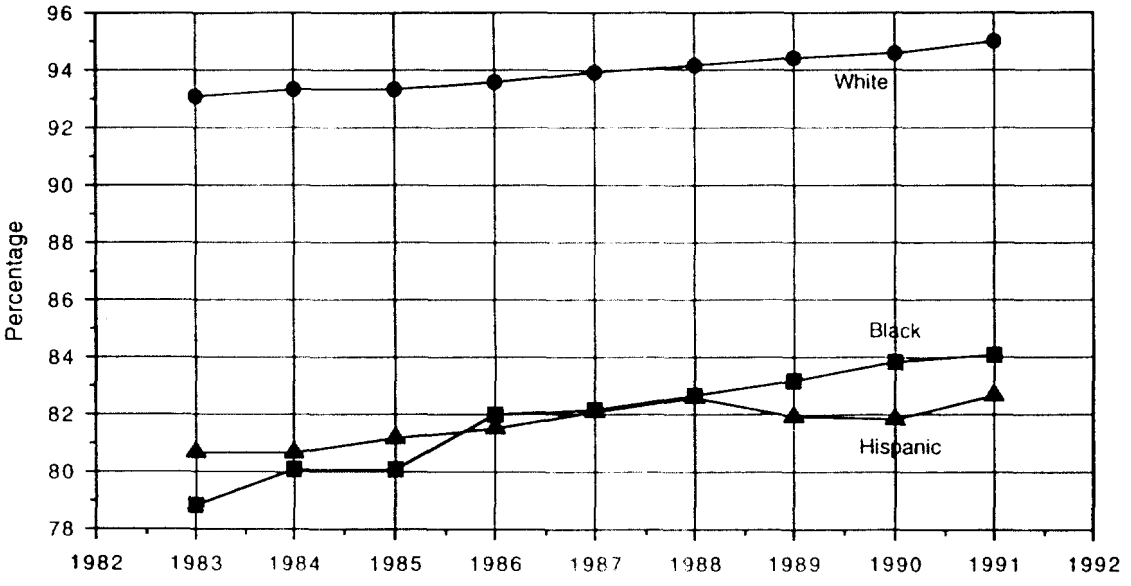
Appendix I

Telephone Penetration by Ethnicity, 1983 - 1991

Telephone Penetration by Ethnicity, 1983–1991



Source: Belinfante 1991

Appendix II

Four Tables Summarizing Support for Public Institutions in this Proceeding

Comments of Public Interest Advocacy Groups

	Financial Support, Discounts or Flat Rates for Public Institutions?	Support for Advanced Services for Public Institutions?	Include Internet/Interactive Services for Public Institutions?
AARP, Consumer Federation of America, Consumer's Union	yes		
Alliance for Public Technology	yes	yes	yes
Amer Foundation for the Blind	yes	yes	yes
Amer's Public TV Stations	yes	yes	yes
Bar Assoc, City of New York	yes	yes	yes
Bonnie Price, Educator	yes	yes	yes
CA Dept of Consumer Affairs	yes	yes	yes
Citizens for a Sound Economy Foundation			
Communications Workers of America	yes	yes	yes
Consumer Technology Project	yes	yes	yes
Center for Civic Networking	yes	yes	yes
Edgemont Neighborhood Coalition (Dayton, OH)	yes	yes	yes
Fed of Amer Research Networks (FARNet)	yes	yes	yes
Hispanic Information and Telecom Network	yes	yes	yes
Information Renaissance	yes	yes	yes
Iowa Communications Network	yes	yes	yes
Learning and Information Networks		yes	yes
NAACP		yes	
Nat'l Assoc of Development Orgs	yes	yes	yes
Nat'l Assoc of State Utility Advocates			
Nat'l Black Caucus of State Legislators	yes	yes	yes
Nat'l Emergency Number Assoc		yes	
NE Rural Development Comm	yes	yes	yes
OMB Watch	yes	yes	yes
PA Rural Development Counsel	yes	yes	yes
People for the American Way, Alliance for Community Media, Alliance for Communications Democracy, Benton Foundation, Center for Media Education, League of Latin American Citizens, Minority Media and Telecom Council, La Raza, & National Rainbow Coalition	yes	yes	yes
Public Utility Law Project of NY			yes
United Church of Christ, Alliance for Community Media, and Minority Media & Telecommunications Council		yes	yes
U.S. Catholic Conference, et al. (A Coalition of Homeless Advocates)		yes	yes

* empty cells denote no comment on question